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## INTELLIGENCE BRIEF

THE TRANSPORT OF SOVIET WHEAT IMPORTS  
THROUGH 31 JULY 1966

DIRECTORATE OF INTELLIGENCE

Office of Research and Reports

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THE TRANSPORT OF SOVIET WHEAT IMPORTS  
THROUGH 31 JULY 1966

As a result of contracts with Canadian and other exporters, 8.6 million metric tons (mt) of wheat and wheat flour remain to be shipped to the USSR\* by the end of July 1966 -- 4.5 million mt in 1965, and 4.1 million mt in 1966.\*\* Of the 8.6 million mt, about 2 million mt were on C.I.F. terms, which means that the seller is responsible for their transportation; the remaining 6.6 million mt was sold on F.O.B. terms, which means that the USSR must move them. Available data indicate that of the 6.6 million mt, the USSR will move 3.9 million mt in its own ships and 2.7 million mt in chartered ships. Chartering operations will require foreign exchange expenditures of approximately \$22 million, largely in hard currencies. This \$22 million in chartering fees -- although small in relation to the \$570 million cost of the wheat remaining to be delivered -- is a further aggravation of an already difficult Soviet foreign exchange position.

1. Impact of 11 August Wheat Contract with Canada on Soviet Shipping Requirements

It was announced on 11 August 1965 that a new grain contract had been signed by the Canadian Wheat Board and Soviet trade officials. The contract provides for the delivery of about 5 million mt of wheat and wheat flour\*\*\* to the USSR during the period August 1965 through July 1966.† The addition of this quantity to other purchases since the beginning of the 1965/66 crop year from Canada, Argentina, and France raises the total Soviet

\* For additional details on the contracts signed since the beginning of the 1965/66 crop year and on those 1964/65 contracts against which there are still deliveries outstanding, see Table 1.

\*\* Many discussions of Soviet imports of wheat and wheat flour express quantities of wheat flour in tons of "grain equivalent," the weight of grain required to produce the flour. Because this publication is concerned with shipping requirements, the tonnages given for wheat flour are the tonnages that actually have to be shipped. Thus combined tonnages for wheat and wheat flour specified in this publication will differ from those treating flour in tons of grain equivalent by amounts equal to normal losses sustained in extracting flour from wheat (28 percent of the weight of the wheat).

\*\*\* The Canadian crop year extends from 1 August to 31 July. The term crop year as used in this publication refers to a year beginning on 1 July and ending on 30 June. Grain deliveries totaling an estimated 700,000 mt under contracts signed during the 1965/66 crop year will continue into the 1966/67 crop year.

† Certain consignments of this wheat and wheat flour will be delivered to ports in Cuba, the UAR, and the Eastern European Communist countries on Soviet account.

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purchase commitment for the crop year to more than 7.1 million mt of wheat and wheat flour. Because more than 1.5 million mt of wheat remained to be shipped under contracts signed during the 1964/65 crop year, the total quantity of wheat still to be delivered to the USSR as of 11 August was about 8.6 million mt.\* The USSR, however, is not responsible for moving this entire quantity. Slightly less than 2 million mt fall under C.I. F. contracts with trading firms in Argentina which specify that the seller is to provide transportation. The remaining 6.6 million mt must be moved by the USSR -- either in Soviet ships or in Soviet-chartered ships.

## 2. Involvement of Soviet and Chartered Ships in Moving Grain Imports

Despite the spectacular growth of its maritime fleet in recent years, the USSR will have to supplement its ships with chartered tonnage in order to move the grain imports. In most cases the USSR will have to pay chartering fees in hard currencies, thereby further weakening its foreign exchange position. There is, therefore, a strong incentive to minimize the volume of wheat imports moving on chartered ships. Soviet success in keeping this volume low will vary from one exporting area to another. The volumes to be exported from each of the major exporting areas from the middle of August 1965 to the end of July 1966 and estimates of the allocation of these volumes between Soviet and Soviet-chartered ships are shown in the following tabulation:

<u>Exporting Area</u>	<u>Thousand Metric Tons</u>		
	<u>Soviet Ships</u>	<u>Soviet-Chartered Ships</u>	<u>Total</u>
Canada			
St. Lawrence and Atlantic ports	2,655	2,655	5,310
West coast	510		510
Australia	410	50	460
France (Atlantic ports)	300	40	340
Total	<u>3,875</u>	<u>2,745</u>	<u>6,620</u>

\* The total to be delivered between 1 July 1965 and 31 July 1966 will be close to 9.0 million mt. Shipments against the 1964/65 and 1965/66 contracts on vessels that departed prior to 12 August 1965 are listed by country of origin in Table 2.

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The greatest challenge to the USSR will be the movement of 5.3 million mt from the ports of eastern Canada. This volume is slightly less than the total shipped from eastern Canada on Soviet account during the record-breaking 1963/64 crop year, when the USSR had to move more than three-quarters of the total volume on chartered ships. Since the completion of that movement the USSR has added almost one million deadweight tons of new ships to its fleet. Some of this new tonnage will be available to carry grain, particularly during the seasonal lull in Soviet shipping requirements that normally occurs from October through April. Throughout the year, Soviet tankers that normally return to the Black and Baltic Seas in ballast after the delivery of petroleum to Cuba will be available in significant numbers to carry wheat on their return voyages. From October to February, Soviet dry cargo ships returning to the USSR from the delivery of Soviet exports to Cuba will be available for the carriage of grain -- during the remainder of the year they carry sugar. Unfortunately for the USSR, climatic factors in eastern Canada will prevent the maximum use of Soviet tonnage at the time of year that it is most available. All of the important St. Lawrence ports are virtually closed down from the end of December through the end of March. During this period the only ports handling grain exports from eastern Canada are St. Johns (New Brunswick) and Halifax (Nova Scotia), which can move only a fraction of the volume moved out of the St. Lawrence. Preliminary data from the shipping press indicate that the USSR has begun to line up chartered shipping for the movement of wheat out of the St. Lawrence during the coming fall. Charter fixtures reported since 11 August include tankers and dry cargo ships, both on voyage charters and time charters. Scheduling data released thus far indicate that more than 400,000 mt of wheat will move out of St. Lawrence ports on Soviet account during September, slightly more than half of it on chartered ships.

The movement of grain from Australia to the USSR under contracts signed during the 1964/65 crop year has set a pattern which indicates that Soviet ships will carry as much as 90 percent of the 460,000 mt to be carried from Australian ports. Some of this wheat will move north to the Soviet Far East, and the remainder westward for delivery to Soviet ports on the Black Sea and to Egypt. In this westward movement the USSR has been able to use dry cargo ships that would normally return to the Black Sea in ballast after the delivery of exports to Indonesia and North Vietnam.

According to the shipping press the USSR plans to use its own tonnage in moving the 510,000 mt of wheat that is scheduled to move from western Canada to the Soviet Far East. Because there are no seasonal limitations

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on operations at the ports involved in this movement, the USSR should be able to rely heavily on tonnage available because of the normal winter lull in its shipping requirements. During the previous season, much of the tonnage in this category was made available to foreign charterers with payments in hard currencies. Thus the necessity to employ such ships for the movement of grain imports will deny the USSR an important source of hard currency income.

Soviet wheat imports from France normally move from Rouen, Bordeaux, and other ports on the Atlantic to ports on the Baltic, in both the USSR and the Eastern European Communist countries. There is a heavy movement of Soviet coal into this area of France on Soviet dry cargo ships, and much of the wheat can be carried by these ships on their return voyages to the Baltic. It appears likely that the remainder will move on the French and other Free World ships involved in the coal movement.

### 3. Foreign Exchange Costs of Chartering

Heavy grain imports by India, Japan, and Communist China caused world market rates for the movement of grain cargoes to be considerably higher when the Canadian grain contract with the USSR was announced on 11 August 1965 than they were when the large Soviet purchases for the 1963/64 crop year were announced in September 1963. The announcement of the 1963 sales produced a dramatic increase in charter rates at that time -- 14 percent\* in two weeks. Although there were moderate rate increases during the two weeks following the 11 August announcement -- 3 percent -- they cannot be described as dramatic. At the rates prevailing as of 26 August, the total cost in hard currency to the USSR for the charter of foreign ships to carry the estimated 2.7 million mt of wheat for which the USSR will be unable to provide its own ships will be more than \$22 million -- \$10 million for shipments during the remainder of 1965 and \$12 million for shipments from January through July 1966.

### 4. Timing of Wheat Deliveries Through 31 July 1966

Most of the contracts that the USSR has signed for the purchase of wheat provide for cash payment in hard currencies. Thus, in calculating the effect of the wheat purchases on the Soviet balance of payments, it is important to be able to distribute total deliveries between the calendar years involved. Preliminary data indicate that 4.5 million of the 8.6 million mt to be delivered between 12 August 1965 and 31 July 1966 will move in 1965 and the remaining 4.1 million mt will move in the first seven months of 1966. Deliveries during 1965 should fulfill commitments under all of the contracts outstanding with France and Australia, three.

\* Using the Grain Freight Index of Maritime Research, Inc., as a measure.

contracts with Canada signed during the first half of 1965, and a significant portion of the contracts signed with Argentina in May and August of 1965. Deliveries during January through July 1966 will include 2.9 million mt under the 11 August contract with Canada, 326,000 mt under the 5 August contract with Canada, and 840,000 mt under the May and August contracts with Argentina. These will constitute the final deliveries under each of the contracts involved.

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Table 1

Soviet Wheat Import Contracts  
1964/65 and 1965/66

Date of Agreement	Exporting Country	Destination	Delivery Dates		Terms	Thousand Metric Tons		
			From	To		Wheat	Wheat Flour	Total
1964/65 crop year								
26 October 1964	Canada	USSR/Cuba	November 1964	June 1965	F.O.B.	3,392	116	3,508
11 January 1965	France	Eastern Europe	February 1965	May 1965	F.O.B.	255	25	280
27 January 1965	Canada	Cuba	March 1965	December 1965	F.O.B.	250	40 a/	250
2 February 1965	Canada	USSR	May 1965	September 1965	F.O.B.	203 a/	122 a/	243 a/
4 February 1965	Australia	USSR/Hamburg	May 1965	September 1965	F.O.B.	122 a/	760 b/	122 a/
12 March 1965	Canada	Cuba	May 1965	July 1965	F.O.B.	760 b/	51	760 b/
3 April 1965	Australia	USSR/Egypt	May 1965	November 1965	F.O.B.	610 b/	610 b/	610 b/
8 April 1965	France	Eastern Europe	June 1965	August 1965	F.O.B.	192	192	192
May 1965	Argentina	USSR	April 1965	March 1966	C.I.F.	1,000		1,000
1965/66 crop year								
13 July 1965	France	USSR	September 1965	December 1965	F.O.B.	6,781	305	7,086
5 August 1965	Canada	USSR	September 1965	July 1966	F.O.B.	300	15 a/	300
10 August 1965	Argentina	USSR	August 1965	March 1966	C.I.F.	1,100		726
11 August 1965	Canada	USSR	August 1965	July 1966	F.O.B.	4,670 a/	290 a/	1,100
Total								
						10,173	421	10,594

a. From east coast ports.

b. Under these contracts with Australia, the USSR has the option to purchase up to 10 percent more than the base quantities.

c. Partly from west coast ports.

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Table 2

Shipments Against Soviet 1964/65 and 1965/66  
Wheat Import Contracts Through 11 August 1965 a/

Thousand Metric Tons					
Shipping Period	Country of Origin				
	Canada	Australia	Argentina	France	Total
1964					
1 November to 31 December	62				62
1965					
1 January to 30 June	418	760		314	1,492
1 - 31 July	66	106	92	64	328
1 - 11 August	19	43	58	22	142
Total	<u>565</u>	<u>909</u>	<u>150</u>	<u>400</u>	<u>2,024</u>

a. Totals for Canada, Australia, and Argentina are based on reporting of ship departures, largely from the press [REDACTED] totals for France were estimated on the basis of delivery schedules.

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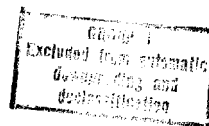
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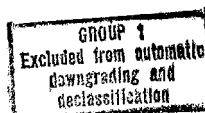
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